



HR Metrics & Analytics

MSB21T2001

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Topics to be discussed

- EMERGENCE OF HUMAN RESOURCE CONTROL SYSTEMS
- MEASUREMENT TOOLS USED IN HUMAN RESOURCE CONTROLLING

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RECAP: SESSION 6

- TRANSITION OF HUMAN RESOURCE MANAGEMENT TO HUMAN CAPITAL
- MANAGERIAL SUSTAINABLE COMPETITIVE ADVANTAGE THROUGH HUMAN CAPITAL

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EMERGENCE OF HUMAN RESOURCE CONTROL SYSTEMS

- Along with the theories and researches on the changing pattern of HR functions, simultaneously we also observe the trend in measuring HR activities over the years. First such observation was the emergence of the concept of HR control systems.
- HR control systems: It is primarily the adoption of certain HR practices that can enforce behavioural changes in employees, when the results are not meeting the expected standards.
- Snell (1992) defines HR control as the alignment of actions of employees with an organization. In HRM, the concept of control is embedded with the 'agency theory'.

EMERGENCE OF HUMAN RESOURCE CONTROL SYSTEMS

- In terms of this theory, managers acquire and allocate resources and are empowered to act as control agents.
- As control agents, HR managers focus on controlling the variation in the behaviour of employees and the outcome.
- While behavioural control is enforced through structuring of activities (Child, 1973), outcome and output control is possible when it is measurable (say key performance indicators or key performance areas and so on).
- Japanese researcher Ouchi (1977) suggested the need for behavioural control when outcome or output deviates from the expected standards.
- Organizations try to enforce behavioural and output control with appropriate HR practices.

EMERGENCE OF HUMAN RESOURCE CONTROL SYSTEMS

- Thus, HR control systems are primarily adoption of certain HR practices that can enforce behavioural changes in the employees when the results are not meeting the expected standards.
- HR managers enforce HR control through the execution of the monitoring, directing, evaluating and rewarding activities of the employees (Anderson & Oliver, 1987).
- In addition, HR managers have another important responsibility to enforce HR control through input control. Input control in human resources is primarily enforced through the adoption of effective recruitment and selection process.
- Here again, HR managers make use of quantitative information to measure the knowledge, values, attitudes and behaviours of the prospective employees to assume the degree of fit with the organizational culture and value systems.
- With input control, HR managers can address the future performance problems, check attrition and drive the culture of teamwork.

EMERGENCE OF HUMAN RESOURCE CONTROL SYSTEMS

- Even with HR control systems, HR managers can ensure functional autonomy to employees and make them good performers and the right-fit with the culture of the organizations.
- In such cases, HR managers need to consider an HR function as a process of commitment maximizers, rather than cost reducers (Arthur, 1992).
- HR control and HR commitment represent two distinct approaches to shape employee behaviours and attitudes at work.
- The goal of control of HR systems is to reduce direct labour costs, or improve efficiency, by enforcing employee compliance with specified rules and procedures and basing employee rewards on some measurable output criteria (Eisenhardt, 1985; Walton, 1985). In contrast, commitment
- HR systems shape desired employee behaviours and attitudes by forging psychological links between organizational and employee goals.

EMERGENCE OF HUMAN RESOURCE CONTROL SYSTEMS

- In other words, the focus is on developing committed employees who can be trusted to use their discretion to carry out job tasks in ways that are consistent with organizational goals (e.g., Organ, 1988).
- In general, the commitment of HR systems was characterized by higher levels of employee involvement in managerial decisions, formal participation programmes, training in group problem-solving and socializing activities and by higher percentages of maintenance, or skilled, employees and average wage rates.
- The existence of the control and commitment variations in organizations is generally thought to be associated with certain organizational conditions. Most HR strategy researchers have taken a behavioural perspective (Snell, 1992).
- Research using this perspective rests on the often implicit assumption that the successful implementation of a business strategy requires a unique set of employee behaviours and attitudes and that a unique set of HR policies and practices will elicit those behaviours and attitudes (Cappelli & Singh, 1992).

EMERGENCE OF HUMAN RESOURCE CONTROL SYSTEMS

- Alternatively, control theory researchers (e.g., Eisenhardt, 1985; Ouchi, 1979; Snell, 1992) have noted that the use of a control system depends on managers.
- To enforce control in HR functions, organizations still use relatively less analytical tools.
- However, scholars such as Sullivan (2004) and others have enriched this area, providing new insights into HR metrics.
- These apart, HR control is possible through generating data based on employee satisfaction surveys and periodic HR audits, and through various statistical analyses of employee responses and data.

MEASUREMENT TOOLS USED IN HUMAN RESOURCE CONTROLLING

- The real problem starts after such data collection, as HR managers need to collate these with their vital HR decisions to enforce control in the organizations.
- Sullivan's HR metrics provide some quick fix solutions to such problems of interpretation, but in true sense, we cannot draw a borderline on HR metrics, as organizations' approaches to the management of resources widely varies.
- For example, strategically, an organization may like to recruit people with mono-skill (i.e., narrow or single skill set) and make these people redundant once the job process changes.
- But in other cases, organizations may be interested in recruiting multi-skilled people, to ensure time-to-time skill renewability, thereby keeping pace with the changing business process.

MEASUREMENT TOOLS USED IN HUMAN RESOURCE CONTROLLING

- Some of the core HR metrics such as cost of turnover, cost of recruitment process, training costs, productivity costs, percentage improvement in workforce productivity, degree of employee engagement data, average performance appraisal score, percentage of diversity hires, employee retention data, compensation and benefits data and so on are vital to enforce HR control.
- Using such metrics, HR managers enforce control. HR tools such as HR scorecard and so on can also supplement the HR control process in the organizations.
- In fact, when employees are taken through the HR scorecard and are facilitated to understand its application and interpretation, they themselves can enforce self-control to keep them aligned with the organizations.

MEASUREMENT TOOLS USED IN HUMAN RESOURCE CONTROLLING

- Again a distinction is made between the HRM practices that focus upon enhancing employee commitment and the ones that increase control of the owner-manager over employees and the production process.
- These two aspects of HRM practices are considered as the two extremes on a continuum, where HRM practices tend to be either more committed or more control oriented.
- This debate, however, is not new, as it is evident from McGregor's (1960) Theory X and Theory Y, which suggests the need to achieve both control and consent of employees to maintain or improve performance (Legge, 1995).
- Also, the debate on control–commitment dichotomy extends to various other dimensions of organizations such as organization structure versus management style, autocratic versus democratic decision-making, mechanistic versus organic organizations, tasks versus interpersonal-oriented styles, transactional versus transformational leadership, direct control versus responsible autonomy (Friedman, 1977) and Tannenbaum and Schmidt's (1958) continuum (tell–sell–consult–join).

MEASUREMENT TOOLS USED IN HUMAN RESOURCE CONTROLLING

- These management styles and practices either emphasize the maintenance of tasks through direct forms of control or the nurturing of interpersonal relationships through indirect or self-control of employees (Van Engen, 2001).
- HR control systems, therefore, are composed of various HR practices that lead an organization to the accomplishment of its established objectives.
- Based on the dimensions of the traditional versus high-commitment work system as proposed by Beer et al. (1984), Walton (1985) explicitly proposed the distinction between commitment and control strategies within an organization.
- Given the assumption that HRM consists of a series of internally consistent HRM practices, which combine into a specific HRM system, it can be argued that HRM systems are either control or commitment oriented.

MEASUREMENT TOOLS USED IN HUMAN RESOURCE CONTROLLING

- HR control systems are characterized by a division of work into small, fixed jobs for which individuals can be held accountable, and direct control with managers supervising rather than facilitating employees
- This type of HRM system aims at reducing direct labour costs, or improves efficiency, by enforcing employee compliance with specified rules and procedures
- In contrast, commitment-oriented HRM systems are characterized by managers who facilitate rather than supervise.
- This type of HRM system emphasizes employee development and trust, establishing (psychological) links between organizational and personal goals.
- Commitment here is seen as an individual's bond with an organization, referred to as attitudinal (affective) commitment .

MEASUREMENT TOOLS USED IN HUMAN RESOURCE CONTROLLING

- HR control systems have two dimensions:
- a) organization-wide control and
- (b) self-regulating autonomous control by the employees.
- Next slide explains how HR control systems is enforced in organizations, in the context of HR practices of De La

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